

## **PCA- Triennial Diagnosis Related Group (DRG) Rebasing and Recalibration**

**Purpose:** To update hospital base, capital cost, direct and indirect medical education and disproportionate share rates using more current cost data and to update DRG weights using more current charge data.

### **Identification of Roles:**

1. Accounting Assistant – import cost report data.
2. Senior Accountant - perform cost apportionment to determine Medicaid costs and calculate Medicaid blended base rates.
3. Senior Analyst - import and scrub claims data. Prepare facility case-mix indices and DRG weights.
4. Manager – perform final review of case-mix indices, DRG weights and base rates.

### **Performance Standards:**

1. Ensure complete accuracy in calculations to apportion costs to Medicaid for each hospital submitting Form CMS 2552, Hospital and Healthcare Complex Cost Report, for use in calculating the base, capital cost, direct and indirect medical education, and disproportionate share rates.
2. Ensure complete accuracy in calculating hospital case-mix indices, inpatient base, capital cost, direct and indirect medical education, and disproportionate share rates.
3. Ensure complete accuracy in calculating DRG weights when determined using Medicaid paid claims data or when determined based on other negotiated or manually calculated means.

### **Path of Business Procedure:**

- Step 1: Receive claims file from Core.
- Step 2: Receive Center for Medicare and Medicaid Services (CMS) 2552 electronic files to be used in rebased from Medicare Fiscal Intermediary (FI) and develop a database of financial and statistical Cost Report information. (Beginning 07/01/05 we will receive CMS 2552 directly from hospitals and initial database will be updated as cost reports are received.)
- Step 3: Calculate cost apportionment to determine Medicaid costs.

- Step 4: Calculate facility case mix indices.
- Step 5: Calculate Diagnosis Related Group (DRG) weights using facility charge data.
- Step 6: Compute Medicaid blended base rates
- Step 7: Compute blended “capital cost” add-on component.
- Step 8: Calculate Direct Medical Education (DME), Indirect Medical Education (IME) and Disproportionate Share (DSH) payments.
- Step 9: Conduct fiscal impact analysis for all facilities.
- Step 10: Perform final review of rates and weights.
- Step 11: Update the Medicaid Management Information System (MMIS) with hospital-specific base rates and DRG weights with effective date.
- Step 12: Prepare provider informational release.
- Step 13: Send hospital-specific rate sheets to providers.
- Step 14: Provide on-going assistance with DRG implementation.

### **Forms/Reports:**

1. Form CMS 2552, Hospital and Healthcare Complex Cost Report.
2. Iowa Medicaid paid claims file.
3. Hospital-specific and statewide average inpatient case-mix index report.
4. DRG Weight Schedule.
5. Hospital-specific and Statewide Average Rate Sheets.

### **RFP References:**

6.7.3.2

### **Interfaces:**

IME Core Unit

Department of Human Services (DHS) Fiscal Management  
Medicaid Management Information System (MMIS)

### **Attachments:**

N/A